



## Senate

General Assembly

**File No. 837**

January Session, 2009

Substitute Senate Bill No. 375

*Senate, April 30, 2009*

The Committee on Finance, Revenue and Bonding reported through SEN. DAILY of the 33rd Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

### **AN ACT CONCERNING MUNICIPAL PAYMENTS TO PENSION PLANS.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1       Section 1. (*Effective from passage*) (a) For the fiscal years ending June  
2       30, 2009, to June 30, 2011, inclusive, any city with a population greater  
3       than one hundred thirty thousand that has issued pension deficit  
4       funding bonds pursuant to section 7-374c of the general statutes shall  
5       not be obligated to make any appropriation to fund, or make any  
6       contribution to, any pension plan funded with the proceeds of such  
7       bonds. On or before May 31, 2009, such city shall provide the Secretary  
8       of the Office of Policy and Management and the State Treasurer with a  
9       plan of funding for such pension plan for the fiscal year ending June  
10      30, 2009, that is acceptable to said secretary and Treasurer. Not later  
11      than August 1, 2010, and August 1, 2011, such city shall provide the  
12      Secretary of the Office of Policy and Management and the State  
13      Treasurer with a plan of funding for such pension plan for the fiscal  
14      years ending June 30, 2010, and June 30, 2011, respectively.

15       (b) In each fiscal year that said secretary and Treasurer fail to  
16 approve the plan of funding submitted pursuant to subsection (a) of  
17 this section, such city shall make a minimum contribution to such  
18 pension plan of four million dollars.

This act shall take effect as follows and shall amend the following sections:		
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Section 1	<i>from passage</i>	New section
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**FIN**       *Joint Favorable Subst.*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

### **OFA Fiscal Note**

**State Impact:** None

**Municipal Impact:**

Municipalities	Effect
Bridgeport	See Below

### **Explanation**

The bill provides the City of Bridgeport with operating budget relief in FY 09, FY 10 and FY 11 by suspending its contributions to the pension fund for policemen and firefighters in those fiscal years if the city provides the Office of Policy and Management (OPM) and the Office of the State Treasurer (OST) with an acceptable long-term plan for financing the pension fund. Bridgeport is currently scheduled to make a \$4.5 million contribution in FY 09. It appears that the FY 10 contribution will be \$7 million, and between \$25 and \$30 million in FY 11. If the plan submitted by Bridgeport is not approved by OPM and OST, the bill requires the city to make a minimum contribution of \$4 million to the pension plan.

The bill has no state fiscal impact because it is anticipated that OPM and OST can review the plan submitted by Bridgeport within normal budgetary resources.

Background: Bridgeport issued \$350 million in Pension Obligation Bonds (POBs) in 2000 to finance the unfunded liability in a pension fund for policemen and firefighters. Under the provisions of CGS Sec. 7-374c, the city is required to maintain a 78.6% funding ratio of assets to liabilities, based on the status of the fund immediately after the POBs were issued. Because: (1) the city chose to make the lowest

allowable annual contribution to the fund, (2) the actuarially assumed rate of return was above the actual rate of return on the fund assets and (3) the high level of payouts from the pension fund, the 7/1/08 revaluation of the fund's assets showed that the funding ratio had dropped to 70.7%. The next revaluation is scheduled for 7/1/10 and the funding ratio is expected to be even lower because of the economic downturn in the financial markets.

### ***The Out Years***

The future impact of the bill on the City of Bridgeport will depend on whether the City is able to develop a financially prudent long-term plan for funding this pension fund.

*Sources: Office of Policy and Management*

**OLR Bill Analysis****sSB 375*****AN ACT CONCERNING MUNICIPAL PAYMENTS TO PENSION PLANS.*****SUMMARY:**

This bill exempts, for FY 09 through FY 11, any city with a population of 130,000 that has issued pension deficit funding bonds under the statutes from having to make any appropriation to fund, or make any contribution to, any pension plan funded with the proceeds of the bonds. (It appears that Bridgeport is the only city that meets these criteria.) It requires the city to provide the Office of Policy and Management secretary and the state treasurer with a plan for funding the pension plan for FY 09 that is acceptable to them. By August 1, 2010, and August 1, 2011, the city must provide the officials with an acceptable plan of funding for FY 10 and FY 11, respectively.

The bill requires the city to make a minimum \$4 million contribution to the pension plan in each fiscal year the officials fail to approve the funding plan.

EFFECTIVE DATE: Upon passage

**BACKGROUND*****Legislative History***

On April 9, the Senate referred the bill (File 297) to the Finance, Revenue and Bonding Committee. The committee replaced the original bill, which authorized \$250 million in state bonding to fund the municipal pension solvency loan program, with the provisions described above.

**COMMITTEE ACTION**

Planning and Development Committee

Joint Favorable Substitute

Yea 18      Nay 1      (03/11/2009)

Finance, Revenue and Bonding Committee

Joint Favorable Substitute

Yea 40      Nay 14      (04/16/2009)